



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
PIKE COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES AND
SHERIFF'S SETTLEMENT - 1999 UNMINED COAL TAXES**

August 19, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

PIKE COUNTY CHARLES KEESEE, SHERIFF 1999 TAX SETTLEMENT AND 1999 UNMINED COAL TAX SETTLEMENT

The Pike County 1999 tax settlement revealed no internal control or compliance issues and included no comments or recommendations. The Sheriff has an unexplained tax account surplus of \$5,087. The Sheriff was very cooperative with us during the audit engagement.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Karen Gibson, CPA, Pike County Judge/Executive

Honorable Charles Keesee, Pike County Sheriff

Members of the Pike County Fiscal Court

Independent Auditor's Report

We have audited the Pike County Sheriff's Settlement - 1999 Taxes and the Sheriff's Settlement - 1999 Unmined Coal Taxes as of August 19, 2000. These tax settlements are the responsibility of the Pike County Sheriff. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Pike County Sheriff's taxes charged, credited, and paid as of August 19, 2000, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Karen Gibson, CPA, Pike County Judge/Executive
Honorable Charles Keese, Pike County Sheriff
Members of the Pike County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated October 2, 2000, on our consideration of the Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 2, 2000

PIKE COUNTY
CHARLES KEESEE, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

August 19, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,452,878	\$ 1,233,794	\$ 4,620,114	\$ 1,706,556
Tangible Personal Property	591,325	435,248	1,738,813	1,685,888
Intangible Personal Property				164,400
Delinquent Solid Waste	729,768			
Fire Protection	7,559			
Franchise Corporation	272,425	209,018	895,668	
Oil and Gas Properties	243,188	206,516	1,007,493	285,649
Limestone, Sand, and Gravel Reserve	727	618	3,012	853
Additional Taxes	3,107	2,510	10,342	3,708
Penalties	13,136	9,811	39,863	16,278
Adjusted to Sheriff's Receipt	218	347		38
Gross Chargeable to Sheriff	<u>\$ 3,314,331</u>	<u>\$ 2,097,862</u>	<u>\$ 8,315,305</u>	<u>\$ 3,863,370</u>
<u>Credits</u>				
Discounts	\$ 32,228	\$ 26,068	\$ 98,533	\$ 53,584
Exonerations	135,774	19,532	91,083	31,825
Delinquents:				
Real Estate	772,017	162,932	709,634	225,504
Tangible Personal Property	24,711	18,189	83,690	56,157
Intangible Personal Property				15,700
Uncollected Franchise Corporation	1,039	772	1,196	
Total Credits	<u>\$ 965,769</u>	<u>\$ 227,493</u>	<u>\$ 984,136</u>	<u>\$ 382,770</u>
Net Tax Yield	\$ 2,348,562	\$ 1,870,369	\$ 7,331,169	\$ 3,480,600
Less: Commissions *	<u>100,101</u>	<u>79,491</u>	<u>109,968</u>	<u>148,213</u>
Net Taxes Due	\$ 2,248,461	\$ 1,790,878	\$ 7,221,201	\$ 3,332,387
Taxes Paid	2,249,110	1,790,840	7,223,457	3,333,136
Refunds (Current and Prior Year)	<u>45</u>	<u>38</u>	<u>184</u>	<u>52</u>
Refunds Due Sheriff				
as of Completion of Fieldwork	<u>\$ (694)</u>	<u>\$ 0</u>	<u>\$ (2,440)</u>	<u>\$ (801)</u>

* See Page 3

PIKE COUNTY
CHARLES KEESEE, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES
August 19, 2000
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	7,689,531
1.5% on	\$	7,331,169

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
CHARLES KEESEE, SHERIFF
SHERIFF'S SETTLEMENT - 1999 UNMINED COAL TAXES

August 19, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for				
Unmined Coal	\$ 307,734	\$ 261,329	\$ 1,274,898	\$ 361,465
Omitted Taxes	31,136	17,303	111,020	40,952
Penalties	1,130	960	4,684	1,328
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gross Chargeable to Sheriff	\$ 340,000	\$ 279,592	\$ 1,390,602	\$ 403,745
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Credits</u>				
Discounts	\$ 4,908	\$ 4,168	\$ 20,333	\$ 5,765
Exonerations	2,151	1,827	8,914	2,527
Delinquents	2,651	2,251	10,981	3,114
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Credits	\$ 9,710	\$ 8,246	\$ 40,228	\$ 11,406
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Tax Yield	\$ 330,290	\$ 271,346	\$ 1,350,374	\$ 392,339
Less: Commissions *	14,037	11,532	20,256	16,674
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Taxes Due	\$ 316,253	\$ 259,814	\$ 1,330,118	\$ 375,665
Taxes Paid	316,253	259,814	1,330,118	375,665
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Due Districts				
as of Completion of Fieldwork	\$ 0	\$ 0	\$ 0	\$ 0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* Commissions:

4.25% on	993,975
1.5% on	1,350,374

The accompanying notes are an integral part of the financial statements

PIKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS

August 19, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of August 19, 2000, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

PIKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
August 19, 2000
(Continued)

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 4, 1999 through August 19, 2000.

Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 1999. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 20, 1999 through August 19, 2000.

Note 4. Interest Income

The Pike County Sheriff earned \$23,844 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

Note 5. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 1999 taxes, the Sheriff had \$5,087 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Karen Gibson, CPA, Pike County Judge/Executive
Honorable Charles Keese, Pike County Sheriff
Members of the Pike County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Pike County Sheriff's Settlement - 1999 Taxes and Sheriff's Settlement - 1999 Unmined Coal Taxes as of August 19, 2000, and have issued our report thereon dated October 2, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pike County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Karen Gibson, CPA, Pike County Judge/Executive
Honorable Charles Keese, Pike County Sheriff
Members of the Pike County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
October 2, 2000

